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ANNUAL REPORT

YEAR ENDED JANUARY 31, 1951

MANGEL STORES CORPORATION

AND SUBSIDIARIES

S. D. Leidesdorf & Co.

A comparison of financial and statistical data is shown in the following tables:

Year Ended	Number of Stores	Net Sales	Net Working Capital
12/31/44	95	$22,425,419	$2,283,623
12/31/45	94	23,446,407	3,492,815
12/31/46	92	21,745,066	2,910,000
12/31/47	90	22,673,345	3,009,757
12/31/48	89	27,081,382	3,373,724
12/31/49	89	25,668,102	4,046,309
1/31/51	115*	25,635,310	4,394,366

*Includes acquisition of 26 stores in September, 1950.

Year Ended	Provision for Federal Taxes	Transferred to Surplus	Earnings Per Common Share
12/31/44	$2,133,812	$933,026	$4.89
12/31/45	2,072,438	917,976	3.57
12/31/46	459,604	653,857	2.55
12/31/47	382,845	691,981	2.69
12/31/48	559,369	993,596	3.87
12/31/49	231,190	544,994	2.12
1/31/51	413,764	615,404	2.40

In 1945, 104,970 shares of common stock were issued in exchange for 17,495 shares of convertible preferred stock.

March 30, 1951.

To The Stockholders of

MANGEL STORES CORPORATION:

There are presented herewith the Consolidated Balance Sheet as at January 31, 1951 and the related Consolidated Statements of Income and Surplus for the month of January, 1950 and the fiscal year ended January 31, 1951. The Consolidated Statement of Income and Surplus for the month of January, 1950 is being shown separately due to the change in the accounting year from a calendar to a fiscal year as previously authorized by the Board of Directors and Stockholders.

Sales for the year ended January 31, 1951 amounted to $25,635,310 which compares with $25,668,102 for the year ended December 31, 1949.

Net income for this year before Federal taxes was $1,029,169 compared with $776,185 the previous year, an increase of $252,984 or approximately 32%. Net income after Federal taxes for this year was $615,404 compared with $544,994 for the previous year, an increase of $70,410 or approximately 13%. The impact of increased Federal taxes is apparent.

Net earnings for the fiscal year were $2.40 per share on the 256,787 shares outstanding which compares with $2.12 per share last year. The regular quarterly dividends of $.25 per share were continued during the year.

In September, 1950, 26 stores located in Louisiana and Texas were acquired by your Corporation through the purchase of all of the outstanding capital stock of Salle Ann Shops of Texas and Salle Ann Shops of Louisiana, Inc. This acquisition should produce increased volume and profits in these desirable territories without a material increase in overhead. In connection with this transaction an additional long term loan in the amount of $500,000 was obtained by your Corporation.

Since the last report remodelling and enlargement projects were completed in our stores at Clinton, Iowa; Green Bay, Wisc.; Hot Springs, Ark.; Memphis, Tenn.; New Orleans, La.; and Savannah, Ga., and in most of the stores recently acquired by us in Louisiana and Texas. Similar projects affecting stores located at Columbia, S. C.; Huntington, W. Va.; and Macon, Ga. are now in the process of construction.

During the last few months new units were opened in Natchez, Miss. and Tallahassee, Fla.; and an additional unit was opened in New Orleans, La.

The increasingly high level of employment throughout the country together with the generally satisfactory economic prospects, warrant, in the opinion of your Management, and barring any unforeseen contingencies, a most favorable outlook for the present year.

Respectfully submitted,

SOL MANGEL,

President.

MANGEL STORE

AND SUBS

CONSOLIDATED BALANCE SHE

ASSETS

CURRENT ASSETS:		
Cash on hand and in banks		$ 1,280,456.21
United States bonds and Treasury certificates—at cost, plus accrued interest		46,371.37
United States Treasury notes—at cost, plus accrued interest		50,336.20
Accounts receivable, trade—less reserve (including employees' accounts)		1,418,004.58
Refunds receivable of prior years' Federal taxes on income		123,956.91
Merchandise inventory—at the lower of cost or market, based upon the retail method of inventory valuation		3,490,150.61
TOTAL CURRENT ASSETS		6,409,275.88
OTHER ASSETS:		
Loans to employees—less reserve	$ 16,900.00	
Sundry deposits and investments	5,243.90	
Estimated refundable portion of prior years' Federal taxes on income under carry-back provisions of the Internal Revenue Code	24,581.02	46,724.92
FIXED ASSETS:		
Real estate (at values as appraised for the management in June 1932 with subsequent additions at cost) — subject to mortgages shown contra	$ 369,954.00	
Less: Reserve for depreciation	41,361.04	328,592.96
Furniture and fixtures and leasehold improvements—at cost	6,315,896.85	
Less: Reserves for depreciation and amortization	2,826,445.97	3,489,450.88	3,818,043.84
DEFERRED CHARGES:		
Unexpired insurance	74,375.27	
Prepaid taxes, expenses, etc.	384,111.52	
Stationery and supplies	6,750.00	465,236.79
GOODWILL		1.00
		$10,739,282.43

The Notes to Accounts, appended hereto, are an integral part

NOTES TO ACCOUNTS

NOTE A—Under loan agreements dated March 1, 1949 and September 15, 1950, loans of $2,000,000.00 and $500,000.00, respectively, were obtained from The Prudential Insurance Company of America evidenced by promissory notes which become due March 1, 1961. On March 1 and September 1 in each year, until the notes shall be paid in full, payments of $83,500.00 shall be made to apply to the prepayment of the notes. The company has an option to make additional prepayments of a similar amount with each prepayment, such option to be non-cumulative. Interest is at the rate of 3⅞% and 3¼% per annum, respectively. Payments aggregating $198,000.00 due prior to January 31, 1951 on the $2,000,000.00 note were made.

The provisions of the loan agreements place certain restrictions on the creation of other loans and the depletion of consolidated working capital and provide that dividends will not be declared or paid subsequent to December 31, 1948 except out of 70% of consolidated net earnings subsequent to January 1, 1949, plus $128,400.00.

Under these provisions, an amount of $396,399.56 of the aggregate consolidated surplus at January 31, 1951 is not subject to the dividend restriction.

NOTE B—The Consolidated Earned and Capital Surplus includes undistributed earnings of subsidiaries which may be subject to Federal taxes on income if and when received by the parent company in the form of dividends.

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SIDIARIES

ET AS AT JANUARY 31, 1951

LIABILITIES

CURRENT LIABILITIES:			
Notes payable—The Prudential Insurance Company of America, installments due within one year—Note A			$ 167,000.00
Accounts payable—merchandise, less discounts			560,876.56
Accounts payable—expenses, taxes, etc.			705,230.98
Customers' deposits on layaway sales			95,308.00
Customers' credits			56,841.00
Mortgage installments payable within one year			6,497.71
Reserve for Federal taxes on income			423,155.07
TOTAL CURRENT LIABILITIES			2,014,909.32
NOTES PAYABLE — The Prudential Insurance Company of America, less installments due within one year shown above — Note A			2,135,000.00
MORTGAGES ON REAL ESTATE PAYABLE IN INSTALLMENTS, interest at 4% per annum—less current installments shown above:			
Mortgage payable through September 1, 1964		$ 86,603.81	
Mortgage payable through January 1, 1966		47,595.76	134,199.57
TOTAL LIABILITIES			4,284,108.89
DEFERRED INCOME			82,223.87
CAPITAL STOCK AND SURPLUS:			
Common Stock — par value $1.00 per share:			
Authorized	300,000 shares		
Issued	282,470 shares	$ 282,470.00	
Less: Treasury stock	25,683 shares	25,683.00	
Outstanding	256,787 shares		256,787.00
Surplus — Notes A and B:			
Capital Surplus		789,506.00	
Earned Surplus (since January 1, 1936)		5,326,656.67	6,116,162.67
LONG TERM LEASE COMMITMENTS — Note C			
			$10,739,282.43

of this statement and should be read in conjunction herewith.

NOTE C—The minimum annual rentals upon real property leased for terms expiring more than three years after January 31, 1951 aggregate $938,000.00 as follows:

Years of Expiration	*Number of Leases*	*Minimum Annual Rental*
2-1-54 to 1-31-60	46	$406,000.00
2-1-60 to 1-31-70	29	238,000.00
2-1-70 to 1-31-80	14	223,000.00
After 1-31-80	5	71,000.00

Four lease agreements not included above provide for rentals exclusively on the basis of sales.

Certain of the lease agreements provide for additional rentals based on sales or for payment of certain expenses, such as real estate taxes, insurance and maintenance costs.

GENERAL—The accompanying financial statements are subject to final determination of Federal, state and local taxes.

MANGEL STORES CORPORATION

AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF SURPLUS

FOR THE MONTH OF JANUARY 1950 AND THE YEAR ENDED JANUARY 31, 1951

	Month of January 1950	Year Ended January 31, 1951
CAPITAL SURPLUS — Notes A and B:		
Balance as at December 31, 1949, January 31, 1950 and January 31, 1951	$ 789,506.00	$ 789,506.00
EARNED SURPLUS (since January 1, 1936) — Notes A and B:		
Balance as at December 31, 1949 and January 31, 1950	$5,091,883.39	$5,048,039.21
Net income or *loss*	*43,844.18*	615,404.46
	5,048,039.21	5,663,443.67
Deduct:		
Dividends paid on Common Stock at the rate of $1.00 per share		256,787.00
Excess of cost of investment in wholly-owned subsidiaries over net aggregate book equity of said subsidiaries as at September 1, 1950, the date as of which the investment was acquired		80,000.00
		336,787.00
Balance as at January 31, 1950 and January 31, 1951	$5,048,039.21	$5,326,656.67

CONSOLIDATED STATEMENT OF INCOME

FOR THE MONTH OF JANUARY 1950 AND THE YEAR ENDED JANUARY 31, 1951

	Month of January 1950	Year Ended January 31, 1951
Net sales, including leased departments' sales	$1,201,329.52	$25,635,310.21
Cost of sales, and general, administrative and selling expenses (exclusive of depreciation) — less service charges on budget accounts	1,232,938.76	24,104,458.65
	31,609.24	1,530,851.56
Provision for depreciation	39,080.38	535,540.23
	70,689.62	995,311.33
Other income, less other deductions	*29.56*	33,858.05
Net income or *loss* before Federal taxes on income	*70,719.18*	1,029,169.38
Provision for Federal taxes on income	9,025.00	413,764.92
Less: Estimated refundable portion of prior years' Federal taxes on income, under carry-back provisions of the Internal Revenue Code	*35,900.00*	
	26,875.00	413,764.92
Net income or *loss*	$ *43,844.18*	$ 615,404.46

Red Figures are designated by *italics*.

The Notes to Accounts, appended hereto, are an integral part of these statements and should be read in conjunction herewith.

ACCOUNTANTS' REPORT

To the Board of Directors
Mangel Stores Corporation
New York, N. Y.

We have examined the consolidated balance sheet of Mangel Stores Corporation and subsidiaries as at January 31, 1951 and the related consolidated statements of income and surplus for the month of January 1950 and the year ended January 31, 1951. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and surplus, together with the notes to accounts, present fairly the consolidated financial position of Mangel Stores Corporation and subsidiaries at January 31, 1951, and the consolidated results of their operations for the month of January 1950 and the year ended January 31, 1951, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

S. D. Leidesdorf & Co.

New York, N. Y.
March 20, 1951

MANGEL STORES CORPORATION

1107 BROADWAY • NEW YORK 10, N. Y.

STORES ARE LOCATED IN THE FOLLOWING CITIES

ABILENE, TEXAS
ALEXANDRIA, LA.
ALTOONA, PA.
AMARILLO, TEXAS
ANNISTON, ALA.
ASHEVILLE, N. C.
ATLANTA, GA.
AUBURN, N. Y.
AUGUSTA, GA.
AUSTIN, TEXAS
BATON ROUGE, LA.
BEAUMONT, TEXAS
BIG SPRING, TEXAS
BIRMINGHAM, ALA.
BLUEFIELD, W. VA.
BROWNSVILLE, TEXAS
BROWNWOOD, TEXAS
CHARLESTON, S. C.
CHARLESTON, W. VA.
CHARLOTTE, N. C.
CHATTANOOGA, TENN.
CHICAGO, ILL.
CLINTON, IOWA
COLUMBIA, S. C.
COLUMBUS, GA.
CORPUS CHRISTIE, TEXAS
CORSICANA, TEXAS
CROWLEY, LA.
DALLAS, TEXAS
DAVENPORT, IOWA
DULUTH, MINN.
FLORENCE, ALA.
FOND DU LAC, WISC.
FORT SMITH, ARK.
FORT WORTH, TEXAS
GALVESTON, TEXAS
GREEN BAY, WISC.
GREENSBORO, N. C.
GREENVILLE, S. C.
HARLINGEN, TEXAS
HOUSTON, TEXAS
HOT SPRINGS, ARK.
HUNTINGTON, W. VA.
HUNTSVILLE, ALA.
JACKSON, TENN.
JACKSON, MISS.
JACKSONVILLE, FLA.
JAMESTOWN, N. Y.
JOHNSTOWN, PA.
JOPLIN, MO.
KANSAS CITY, MO.
KNOXVILLE, TENN.
LAFAYETTE, LA.
LAKE CHARLES, LA.
LAREDO, TEXAS
LEXINGTON, KY.
LINCOLN, NEB.
LITTLE ROCK, ARK.
LONGVIEW, TEXAS
LUBBOCK, TEXAS
LYNCHBURG, VA.
MACON, GA.
MADISON, WISC.
MCALLEN, TEXAS
MEMPHIS, TENN.
MERIDIAN, MISS.
MIAMI, FLA.
MIAMI BEACH, FLA.
MOBILE, ALA.
MONROE, LA.
MONTGOMERY, ALA.
MUSKOGEE, OKLA.
NATCHEZ, MISS.
NEW IBERIA, LA.
NEW ORLEANS, LA.
OMAHA, NEB.
OPELOUSAS, LA.
ORLANDO, FLA.
OSHKOSH, WISC.
PADUCAH, KY.
PARIS, TEXAS
PENSACOLA, FLA.
PHILADELPHIA, PA.
PINE BLUFF, ARK.
RALEIGH, N. C.
ROCKFORD, ILL.
SAN ANTONIO, TEXAS
SAVANNAH, GA.
SELMA, ALA.
SHEBOYGAN, WISC.
SHERMAN, TEX.
STEUBENVILLE, OHIO
ST. LOUIS, MO.
ST. PAUL, MINN.
SPARTANBURG, S. C.
SPRINGFIELD, MO.
SYRACUSE, N. Y.
TALLAHASSEE, FLA.
TAMPA, FLA.
TEXARKANA, TEX.
TUSCALOOSA, ALA.
TYLER, TEXAS
WACO, TEXAS
WATERTOWN, N. Y.
WHEELING, W. VA.
WICHITA FALLS, TEX.
ZANESVILLE, OHIO